

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 EA-11 ISO-00 SP-03 AID-20 NSC-07 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 PA-04 PRS-01 USIA-15 AGR-20 DRC-01 /191 W

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FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 2640

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY THE HAGUE

AMCONSUL HONG KONG

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USEC MISSION BRUSSELS

USOECN MISSION PARIS

UNCLAS TOKYO 7879

PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, JA

SUBJECT: JAPAN'S BALANCE OF PAYMENTS IN MAY-PROVISIONAL

SUMMARY: OVERALL DEFICIT IN MAY OF \$990 MILLION
SHOWED DETERIORATION OF \$230 MILLION FROM APRIL DUE PRIMARILY
TO SHARPLY HIGHER OIL PAYMENTS AND GREATER NET OUTFLOW OF LONG
TERM CAPITAL TRADE BALANCE (UNADJUSTED) REGISTERED DEFICIT
OF \$580, MILLION WITH IMPORTS REACHING RECORD LEVEL \$5,100
MILLION FOR MONTH. CURRENT ACCOUNT RECORDED DEFICIT OF \$1,100
MILLION, NEARLY IDENTICAL TO DEFICIT LEVELS RECORDED IN
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JAN. AND FEB. NET OUTFLOW OF LONG TERM CAPITAL AOS

INCREASED BY \$85 MILLION TO LEVEL OF \$250 MILLION. ON SEASONALLY ADJUSTED BASIS, HOWEVER, BOTH TRADE AND CURRENT ACCOUNT IMPROVED SIGNIFICANTLY FROM APRIL. END SUMMARY.

1. ON SEASONALLY ADJUSTED BASIS, BOTH TRADE AND CURRENT ACCOUNT BALANCES IMPROVED IN MAY DESPITE CONTINUED HIGH LEVEL OF OIL IMPORTS. SEASONALLY ADJUSTED EXPORTS UP CONSIDERABLY BY 15.3 PERCENT, WHILE IMPORTS UP 9.6 PERCENT AND DEFICIT ON TRADE BALANCE ONLY \$50 MILLION. EMBASSY ESTIMATE OF IMPORTS (S.A) EXCLUDING OIL AMOUNTED TO \$3,473 MILLION WHICH SOMEWHAT HIGHER THAN IN MARCH AND APRIL (SEE TOKYO 6340). TRADE BALANCE EXCLUDING OIL (S.A) ROSE TO SURPLUS OF \$1,334 MILLION IN MAY WHICH IS LARGEST IN PAST 8 MONTHS.

2. IN MAY, TRADE BALANCE DETERIORATED, RECORDING DEFICIT OF \$580 MILLION AS COMPARED TO DEFICIT OF \$379 MILLION IN APR. THIS PARTIALLY DUE TO SHARP INCREASE IN VALUE OF CRUDE OIL IMPORTS ON UNADJUSTED BASIS. CURRENT ACCOUNT FOR MAY RECORDED DEFICIT OF \$1,000 MILLION, REPRESENTING DETERIORATION OF \$277 MILLION FROM APR. NET OUTFLOWS OF LONG-TERM CAPITAL ROSE \$86 MILLION FROM APR. LEVEL TO \$250 MILLION. AS RESULT, ASIC BALANCE REGISTERED DEFICIT OF \$1,350 MILLION. SHORT-TERM CAPITAL, INCLUDING ERRORS AND OMISSIONS, RECORDED INFLOW OF \$360 MILLION. OVERALL DEFICIT OF \$1,990 MILLION WAS FINANCED BY \$1,450 MILLION IN NET INFLOW OF BANKING AND OTHER FUNDS WITH RESULT OFFICIAL NET ASSETS INCREASED BY \$460 MILLION.

3. IMPORTS ROSE SHARPLY IN MAY, INCREASING 88 PERCENT FROM MAY 1973 (UNADJUSTED) TO \$5,110 MILLION. ON SEASONALLY ADJUSTED BASIS, THEY WERE 9.6 PERCENT HIGHER THAN APR AT \$4,857 MILLION. EXPORTS, HOWEVER, ALSO ROSE IN MAY TO \$4,530 MILLION UP 63.0 PERCENT FROM MAY 1973 (UNADJUSTED). ON SEASONALLY ADJUSTED BASIS MAY EXPORTS 15.3 PERCENT HIGHER THAN APR AT \$4,807 MILLION. MOST OF IMPROVEMENT REPORTEDLY CONCENTRATED IN STEEL (UP 110 PERCENT FROM MAY 1973), AUTOS (UP 43 PERCENT FROM MAY UNCLASSIFIED

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1973) MACHINERY (UP 52 PERCENT FROM MAY 1973) AND SHIPS (UP 115 FROM MAY 1973). CONSEQUENTLY, TRADE BALANCE IN DEFICIT BY \$50 MILLION (SEASONALLY ADJUSTED) COMPARED WITH APR DEFICIT OF \$264 MILLION (REVISED).

4. PROVISIONAL UNADJUSTED JAPANESE BALANCE OF PAYMENTS IN MAY IN MILLION DOLLARS (MAY 1973 DATA IN PAREN):
OVERALL BALANCE MINUS 990 (MAY 1,185); EXPORTS

4,530 (UP 62.9 PERCENT FROM 2,780); IMPORTS 5,110
(UP 87.8 PERCENT FROM 2,721); SERVICES AND TRANSFERS
COMBINED MINUS 520 (MINUS 375); LONG-TERM CAPITAL
MINUS 250 (MINUS 975); SHORT-TERM NONMONETARY CAPITAL
AND ERRORS AND OMISSIONS PLUS 360 (POUS 106). RATE OF
EXCHANGE USED FOR MAY WAS 278.83 DOLLAR AND
FOR APR 277.60 PER DOLLAR.

5. FINANCING OF OVERALL DEFICIT IN MAY (MAY 1973 DATA
IN PAREN) AS FOLLOWS: COMMERCIAL BANKS NET SHORT-TERM
BORROWING ABROAD \$1,450 MILLION (\$268 MILLION); OFFICIAL
ACCOUNTS INCREASE IN NET ASSETS \$460 MILLION(MINUS
\$917 MILLION); PUBLISHED OFFICIAL RESERVES UP \$454
MILLION IN MAY TO \$13,167 MILLION. GOLD AND FOREIGN
EXCHANGE TOTALED \$12,00T MILLION, GOLD TRANCHE \$648
MILLION, AND SDR'S \$514 MILLION.

6. CUSTOMARY DETAILS ON CUSTOMS EXPORTS TO BE REPORTED
IN SEPTTEL.
SHOESMITH

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